

## Glossary of Business Terms

*We recommend that you familiarize yourself with basic business terms. Understanding business terms will assist you when filing applications, applying for loans and attending business related workshops and seminars.*

**ACCOUNTS PAYABLE:** The amount owed by the business to its creditors for purchases of goods and/or services.

**ACCOUNTS RECEIVABLE:** The amount due the business from its customers for goods and/or services sold on credit.

**AMORTIZATION:** The gradual reduction of debt by periodic payments. This is also the term used for gradual reduction/writing off over a period of time in the book value of fixed or intangible assets, deferred charges and prepaid expenses. When you get a loan from the bank, you will receive a schedule of payments for paying back the money. This is an amortization schedule.

**ASSETS:** All of that which a business owns, including cash, merchandise inventories, real estate, equipment, supplies and copyrights.

**BALANCE SHEET:** Statement of financial position of business at a particular point in time; lists what is owned and owed.

**BALLOON PAYMENT:** The last payment on a loan; it is substantially larger than the previous payments.

**CAPITAL:** An accounting term describing the excess of assets over liabilities, capital is generally used to refer to cash and other assets used by the business to make money. Capital accounts include money raised through the sale of stock and retained earnings. Capital equipment is equipment used to generate more revenue.

**CASH FLOW:** Projection of how much cash a business will have at the end of each month. It is important for a business to project its cash flow so a loan, or other source of money, can be applied for during periods of negative cash flow.

**COLLATERAL:** The pledging of property as security for a loan. Many small loans are

unsecured, therefore they don't require collateral.

**COMMERCIAL LOAN:** Credit extended by a bank to a business, most frequently on a short-term and unsecured (not requiring collateral) basis.

**COMMON STOCK:** Certificates evidencing ownership of a corporation and generally giving the stockholder voting rights. Common stockholders have rights inferior to those who hold the corporation's bonds, preferred stock, and other debts.

**CORPORATE RESOLUTION:** A document presented to a bank by a corporation. It defines the authority given to the officers and specifies who may sign checks, borrow on behalf of the corporation, and otherwise issue instructions to the bank and conduct the corporation's business. The powers listed in the resolution are granted by the corporation's directors.

**CORPORATION:** A legal entity created under the laws of a state to carry on some business or other authorized activity. The principal distinction between a business corporation and other forms of business organization (i.e., proprietorship) is the fact that the liability of the owners is limited to the capital of the subject corporation.

**CREDIT:** An advance of cash, merchandise, or other commodity in exchange for a promise or other agreement to pay at a future date, with interest if so agreed.

**DEBIT:** A charge against a customer's deposit or bank account. Debit entries increase the balance of an asset or expense account and decrease the balance of a liability or equity account.

**DEPRECIATION:** The decline in value of a limited-life tangible asset, such as a building, machine, vehicle, equipment, furniture, etc., due to age, and to the normal wear and tear of use. In general, equipment is depreciated by a portion of the original cost for each year.

**DIRECTORS:** The individuals, elected by stockholders, who comprise the board of directors and therefore constitute the active, governing body of a corporation.

**DUTIES (tariffs):** Amounts charged when goods are imported into a country. If based on the goods' values, they are called *ad valorem*. If based on the number of items imported, they are called *specific*.

**EQUITY:** The value of an enterprise or property that is owned; the actual value of the owner's financial interest in an enterprise.

**FINANCING:** Adding to the operating funds of a business by either loans or purchase of debt securities or capital stock.

**LEASE:** A contract between the owner (lessor) and the tenant/user (lessee) stating the conditions under which the tenant may occupy or use a property, a vehicle, equipment, etc.

**LIABILITIES:** The sum of debts or obligations of a business. Normally, the liabilities appear on the credit side of a Balance Sheet.

This may be further broken down into current liabilities, long-term liabilities, etc.

**LOAN:** A business contract between a borrower and lender, covering an extension of credit.

**MARKETING:** Group of related business activities aimed at satisfying the demand for goods and services.

**MORTGAGE:** A deed, usually to real estate, given to secure the repayment of a loan made by the mortgagee (lender).

**NET WORTH:** Property owned (assets) minus debts and obligations (liabilities).

**OBLIGATIONS:** Any kind of debt owed.

**PARTNERSHIP:** A legal relationship existing between two or more persons contractually associated as joint principals in a business.

**PREFERRED STOCK:** Securities that give the holder a right to share in a bank's or corporation's profits before common shareholders. If the institution is liquidated, preferred stockholders have a prior claim on its assets over common stockholders and certain other creditors. Preferred stock usually does not give the holder voting rights.

**RATIO:** The relationship of items in financial statements; financial ratios are those derived from comparisons of balance sheet items, such as total assets to total liabilities; operating ratios are those derived from comparisons of items of income and expense.

**REGISTRAR:** A bank or trust company appointed by a corporation to ensure that the number of shares of outstanding stock does not exceed the authorized limit. A registrar is agent both for the corporation and the latter's stockholders, since it protects the interests of both.

**RETURN ON INVESTMENT (ROI):** The amount earned from each dollar put into the business to generate revenues.

**SOLE PROPRIETORSHIP:** A business entity privately owned by a single individual.

**SPECIFIC TARIFF OR DUTY:** This is a method of measuring customs duties tariffs by number or weight instead of by value (see *ad valorem*). Thus, the amount will be determined based on how many units or how many pound or kilos are imported, regardless of their value.

**SUBCHAPTER "S" CORPORATION:** A private corporation of 35 or fewer stockholders who pay personal income tax rather than corporate income tax on net profits.

**TARIFF QUOTA:** A tariff which has a lower rate during a specified period or until a specified amount of the commodity has been imported. At that point, the rate increases.

**UNSECURED LOAN:** Credit extended without collateral.

**VALUE-ADDED-TAX (VAT):** This is a tax levied at each stage of production. The tax is on the value added to the product by that stage.

## Office of the Attorney General Registrar Of Corporations

The Registrar of Corporation legalizes all forms of corporate structure and maintains the annual reports of all businesses. Reports of corporate standing can be obtained from the Registrar's office. Contact the Registrar for fee schedules.

### Federal Permits

*Federal and CNMI permitting agencies work closely together and coordinate their permit decisions. For more information contact the Federal agency directly or its CNMI counterpart at CRM or DEQ.*

## United States Army Corps Of Engineers

Guam Operations Office,  
Pacific Daily News Building  
Room 905  
238 O'Hara Street  
Agana, Guam 96910  
Tel. (671) 344-5203

Permits are required for a variety of activities that occur in, on, over or under ocean waters and certain lakes, and their adjacent wetlands. Some typical activities that require permits in the Commonwealth are piers, docks, floats, mooring buoys, boat, ramps, dredging, intake and outfall pipes, pipelines and cables, dams, creation of fast land for building or parking lots, creating causeways, dredging, and the placement or disposal of any fill material which may include but not limited to, sand, gravel, coral, clay or stone; or the placement or disposal of any dredged material in the water or in wetlands. Permits are required to protect the quality of water resources; to maintain water quality by protecting marches, swamps, and similar en-

vironmentally valuable wetland resources; to prevent of tidal waters or obstructions to navigation; and to control dumping of dredged material into ocean waters.

## United States Environmental Protection Agency

Region IX Office,  
Office of the Pacific Island Programs  
Mail Code E-4  
Hawthorne Street, CA 94105

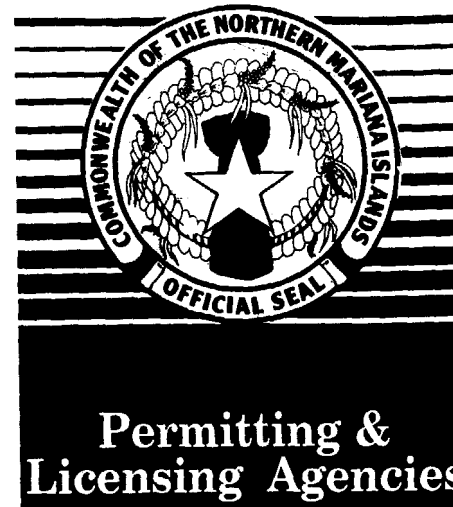
Any open discharge into waters or wetlands will require a National Pollutant Discharge Elimination System Permit from the United States EPA Region IX Office located in San Francisco, California. Several major hotels and resorts have EPA permits.

## United States Coast Guard

Individuals or firms interested in operating vessels for hire, charter or for any other commercial activity should contact the U.S. Coast Guard on Saipan to become familiar with any regulations that may apply and to determine if any vessel inspections or permits are required.

*Please contact the respective agency for up-to-date information and fee schedules.*

Coastal Resources Management	234-6623	234-0007
Commonwealth Ports Authority	234-8315/16	234-5962
Commonwealth Superior Court	234-6401/02	234-8010
Commonwealth Utilities Corporation	322-4033	322-4323
Department Of Public Safety	234-6823	234-8531
Department of Commerce	664-3000	664-3066
Dept. of Lands & Natural Resources	322-9830/34	322-4039
Department of Public Works	322-9482	322-3547
Dept. Of Labor And Immigration	664-2025/24	664-2070
Division Of Historic Preservation	664-2120	664-2139
Division Of Public Lands	322-6914/45	322-4336
Division of Customs	664-1600/01	664-1615
Division of Environmental Quality	234-1011/12	234-1003
Medical Professional Licensing Board	234-8950/51	234-8930
Professional Licensing Board	234-5897	234-6040
Registrar of Corporations	322-4311/12	322-4320



## Department Of Commerce (DOC) Business Licensing Office

The Department of Commerce has jurisdiction over business licensing, banking and insurance licensing and regulation, taxicab regulation, liquor licensing, weights and measures and all types of foreign investor licensing. A business license must be obtained before any business activity can occur. If your business or profession is regulated by the Board of Professional Licensing you still must obtain a license from the Department of Commerce.

## Banking And Insurance Office

The Banking and Insurance Office regulates the banking and insurance industry, which includes chartering banks, establishing offshore banking regulations and foreign currency exchange regulation. The Commonwealth Insurance Act as administered by the Insurance Commissioner regulates that no person may act as an insurer and no insurer may transact insurance in the CNMI other than as authorized by a certificate of authenticity granted to it by the Insurance Commissioner, except as to such transactions as expressly otherwise by law. If

you are hiring employees you must first obtain Workers Compensation prior to applying for a business license. The Department of Commerce also collects and maintains statistical information on population and housing.

## Department Of Public Works

The Department of Public Works (DPW), administers the Commonwealth Building Safety Code which provides standards for the location, design, material, construction, enlargement, maintenance, use, occupancy and moving of buildings and structures in the Commonwealth. This code and its regulations are quite comprehensive and interested parties should consult the proper authorities at the DPW for specific guidance, and to changes in the Code as well as the fee schedule for permits and licenses.

## Div. of Environmental Quality

The Division of Environmental Quality (DEQ), on Saipan, administers both Federal Environmental Protection Agency programs that have been delegated to the CNMI and locally mandated environmental laws. Permits may be required for septic tanks and on-site waste-water treatment systems, earth-moving, safe drinking water, clean air, clearing of vegetation, pesticides, well drilling and water well operations, underground storage tanks, clean water act 401- water quality certification, underground injection control (UIC) permits, used oil, and various other areas.

## Commonwealth Utilities Corporation

The Commonwealth Utilities Corporation (CUC) handles routine connections of utilities water, power and sewer services. It also grants permission of hazardous waste such as indus-

trial chemicals through the sewer system. Please contact CUC for information on fees and required supporting documents.

### Commonwealth Ports Authority

The Commonwealth Ports Authority (CPA) is responsible for the management, development and operation of all airports and seaports in the CNMI. All merchandise entering the CNMI through the ports is subject to CPA charges.

These charges are levied according to total revenue tonnage of the cargo. The Rota seaport can handle small barges with gross weights under 300 tons and draft depths less than 20 feet. The Rota facilities can berth two barges at one time. The Tinian seaport can handle ships with gross weights under 14, 475 tons and draft depths less than 29 feet.

### Department Of Finance Division Of Customs

The Division of Customs regulates and enforces the excise tax laws and conducts warrantless searches and inspection of passengers, luggage, cargos, vessels, aircraft, and any other commodities crossing the ports of entry into the CNMI.

### Professional Licensing Board

The Professional Licensing Board regulates and licenses individuals engaged in professional occupations. Examples of those occupations with the Board oversees include; architects, landscape architects, engineers, harbor pilots, land surveyors and real estate appraisers.

### Medical Professional Licensing Board

Medical, dental and other healing arts are regulated through this office. Call

for fee schedule and additional information.

### Department Of Public Safety

The Department of Public Safety issues driver's licenses for the operation of all vehicles within the CNMI, and issues motor vehicle registration.

### Dept. of Community And Cultural Affairs, Division Of Historic Preservation

construction and/or earthmoving projects are required to first complete an application for Historic Preservation Review.

These applications are available at the Division's main office on Saipan and its offices on Rota and Tinian.

### Dept. Of Lands and Natural Resources

The Department of Lands and Natu-

### Coastal Resources Management

Coastal Resources Management Office has jurisdiction over wetlands, the port and the adjacent industrial area as well as the lagoon. CRM regulates all commercial activities within the lagoon area and issues permits for conducting various commercial water recreational activities.

### Division Of Public Lands

The Division of Public Lands of the Department of Lands and Natural Resources is responsible for the lease and administration of public lands. The Division of Public Lands makes portion of the public land available for commercial leasing to enhance the economic development of the Commonwealth.

**Zoning** Zoning laws have been suspended in the CNMI.

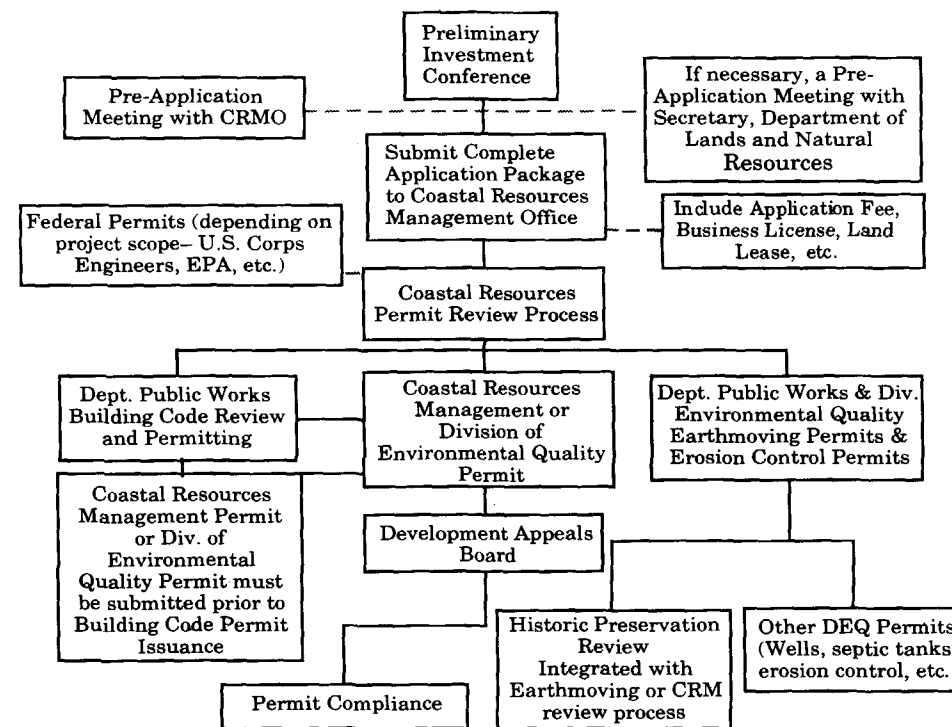
### Commonwealth Superior Court

Applications and information on attorney Bar examinations can be obtained at the Commonwealth Superior Court. Bar examinations are administered twice a year (the last Thursday and Friday in February and July).

### Dept. Of Labor And Immigration

The CNMI Department of Labor and Immigration has jurisdiction over their immigration matters. With respect to employment, first preference must be given to local workers. Commonwealth law requires that twenty percent of a company's employees be local residents. However, if enough qualified local residents are not available, this requirement may be waived by the Secretary of Labor and Immigration. Business owners are advised to consult with the Employment Services Office of the Dept. of Labor and Immigration.

## Development Permitting Process



The Division of Historic Preservation is responsible for reviewing all construction and earthmoving projects undertaken within the Commonwealth to ensure that they do not damage or destroy significant archaeological, historic or cultural properties. This review includes both private and government projects. Individuals or organizations wishing to undertake

ral Resources sets protection standards for designated protected natural resources in the islands of the CNMI. Issues permits for forestry operations on public land. Administers U.S. government federal and CNMI quarantine laws, rules, and regulations within the CNMI, and issues permits for the importation of certain plants, seeds, and animals.

# **First Time Business Owners**

## **One Percent Inspiration And Ninety Nine Percent Perspiration!**

### **The First Time Business Owner**

"One percent inspiration and ninety nine percent perspiration" is probably the best recipe for a successful business. It is also the most realistic. The advantages of having your own business are numerous. There is great potential to increase your income, your self confidence and independence. However, a good idea alone will not magically change itself into a business. It is difficult to guarantee a profit based on a great idea. How should you begin? Much of the work is in the pre-planning stage.

The first step is to take inventory of your own abilities. Ask yourself the following questions:

- *How much time can you devote to putting together a business? How much each day, week, month?*
- *Are you willing to sacrifice some free time, time with your family and friends, to work on your business?*
- *Are you a self confident person who will be able to enthusiastically sell your own product or service to others?*
- *How good are you at problem solving?*
- *Do you have many personal issues going on in your life which might prevent you from giving your all to working on your business?*
- *Are you overly sensitive to criticism?*
- *Do you work well in a team setting? Entrepreneurs often work better on their own.*
- *Are you willing to commit to building a business, to invest savings, and to live on reduced income while building the business?*
- *Are you financially ready to take on the project of starting a business?*

These are the types of questions you can begin asking yourself. The next step is to honestly evaluate your abilities in the area of interest you wish to pursue. For instance, you may have a great idea for opening up a French restaurant but if you know nothing of the cuisine except what you might have eaten at such a restaurant, that's a recipe for failure; nor, for example, could you sell computer software without a strong knowledge of computers. If you have your heart set on selling a particular product, do as much research as you can. Go to the library and take advantage of the information which is offered for free to you. Both the Joeten-Kiyu library and the Northern Marianas College Library are good places to begin your research.

### **Know Your Product**

The first research step is to make sure you know your product and also that you know your market. There are probably people out there selling similar products or services and you need to know your product thoroughly. Prepare a list and answer the following questions.

- *How is your product better than your competitor's? Can you prove your product is better? Many entrepreneurs get a false sense of security in thinking that their product is so great that it will sell itself. Wrong.*
- *How many competitors do you have? Depending on the uniqueness of your product or service you might not have any competitors. If that is the case you will want to know why. Is it because the market is new or is it because there are not enough people who will buy your product?*
- *How are similar businesses doing in the community? Are they struggling or finan-*

customers of sales and special promotions. Keep your records current. In the long run good records will help you prepare detailed budgets to show to banks for loans and apply for credit. Other benefits include better management of the business and a stronger control over fraud, waste and error. As an owner of a business, good records reflect positively on the standard of your employees.

Keep a list of when business license renewal fees and Commonwealth and Federal taxes are due. Pay the fees and file your returns in a timely manner.

Continue your market research, make sure your customers needs are met. There maybe a passing fashion fad that you might have to invest in order to maintain the interest of your target customer group, or there may be more products and services you can offer on a regular basis.

### **For Information and Help:**

**Department of Commerce**  
**Capitol Hill**  
**Caller Box 10007**  
**Saipan, MP 96950**

**Tel. (670) 664-3000**  
**Fax. (670) 664-3066/67**

**Pedro Q. Dela Cruz,**  
**Secretary of Commerce**

**Commonwealth of the**  
**Northern Mariana Islands**

cially profitable? The telephone book is always a good place to start researching. You will be able to find out how much competition you have. It will also assist you in locating the ideal area for your business office.

## Establish the Market for Your Product

Do research on your target market, the people you want to sell to. Analyze the type of person to whom you are trying to sell your product or service. Who is your ideal customer?

<input type="checkbox"/> Male	<input type="checkbox"/> Ages 40 - 60
<input type="checkbox"/> Female	<input type="checkbox"/> Ages 60 and above
<input type="checkbox"/> Ages 1-48 mo.	<input type="checkbox"/> Income under 13,000
<input type="checkbox"/> Ages 4-10	<input type="checkbox"/> Income 13,000 - 20,000
<input type="checkbox"/> Ages 10-13	<input type="checkbox"/> Income 20,000 - 35,000
<input type="checkbox"/> Ages 13-19	<input type="checkbox"/> Income 35,000 - 50,000
<input type="checkbox"/> Ages 19-25	<input type="checkbox"/> Income 50,000 and above
<input type="checkbox"/> Ages 25-40	

Depending on what you are selling you will have to ask other more specific questions that relate to your product. You need to find out if your target group is able to purchase what you want to sell. Is the product within their budget? Or, if you are selling to a particular income group, you need to know if there is enough of a market. It is important to find out if the number of your carefully identified customers is increasing or diminishing. Also, if your product or service fits into an industry or industrial area that is rising, flat or declining. You will also want to know the possibilities for expansion. For instance, if you sell casual clothing you could expand into the sporting goods area by selling sneakers and sports equipment.

## Select the Location Carefully

The location of your business can make or break your business. If you have not done any

market research on your customer habits you might end up moving into a cheap location which turns out to be a deserted neighborhood. Look for a location that is convenient for your customers needs. Also look for a place close to a bank, this way if someone likes something and doesn't have the money they can run out to an ATM machine or bank. If you are opening up a restaurant or cafe, make sure you have adequate electricity and running water.

When you are looking for a building you should think about the possibility of eventually expanding your business. Are there physical limitations which prevent expansion? Depending on the type of business, you might have concerns about safety. Do you own a jewelry shop, or a high cash-intensive business?

First time business owners work on a strict budget. Think about renting rather than purchasing property. Sometimes it is cheaper to rent a building or a space which requires some cleaning, painting or remodeling over renting new building space. Remember your first priority is to concentrate on establishing clients and selling your product instead of having the best looking store.

After you've found an affordable location in the right neighborhood, be sure there is place for your customers to park.

## Sell Yourself

Part of selling your product is to convince the customer that not only do they want your product but that they also need it. Advertising does not come cheap. This is why it is so important to sit down and plan your market-

ing strategy. The goal is to advertise to the greatest number of people with the least cost. Here is a list of some of the places where you can advertise. Do some research to determine which method is the best value for your dollar. Use the phone book and call the various local businesses which can assist you in these areas.

- \* Newspaper advertisements
- \* Television advertisements
- \* Radio advertisements
- \* Telemarketing - direct phone calls
- \* Direct mail
- \* Handouts
- \* Decals, Stickers, Giveaways
- \* Promotions
- \* Special Events
- \* Posters
- \* Banners
- \* Maps

Once you have determined the best way to advertise, you must also determine how long you want to do this for. If, for instance, your poster display all over the island did not bring in enough customers to your furniture sale, think about timing problems. A bad time for sales for expensive items is January when most people are recovering from their heavy Christmas expenses.

## Determine the Legal Form For Your Business

When deciding what form of business you want to establish you will also want to think about the following:

- Your financial status. If you do not have the funds to start a business alone then you will want to get into partnership with those who do. If you are a sole proprietorship, how much money can you stand to lose.
- Division of profits. Decide before you begin operating how the profits will be divided. If

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**Governor Froilan C. Tenorio**  
**INVITES YOUR INVESTMENT CONSIDERATION**  
**In The Commonwealth of the Northern Mariana Islands**

**PROFITABLE OPPORTUNITIES EXIST IN**  
**RESORT HOTELS, GOLF COURSES,**  
**TINIAN CASINOS, LIGHT MANUFACTURING,**  
**FISHING, MARICULTURE AND OTHER**  
**BUSINESS ACTIVITIES**

- Export "qualified" manufactured products duty free to the United States
- Lowest tax structure within the American political family
- Local control over immigration and customs
- Low wage rates - no real estate tax



*The United States Commonwealth of the Northern Mariana Islands is a developing tropical paradise with resort hotels, golf courses, cruise ships, modern communication and medical facilities served by major international air and shipping lines and banking facilities.*



# *The Commonwealth of the*



## ***Population***

Rota - 2,295; Tinian - 2,118; Saipan - approximately 50,000 with 583,503 tourist entries (1994) projected to be from 776,600 to 1.1 million tourists by the year 2,000. Open sea distances between these islands are: (from south to north, port to port) Guam - Rota - 47 nautical miles; Rota - Tinian - 63 nautical miles; Tinian - Saipan - 10 nautical miles. All are connected by scheduled daily air service.

## ***Investment Opportunities***

With an economy based largely on tourism, there are many profitable opportunities in that sector for resort hotels, golf courses, casinos on Tinian, etc., as well as others such as light manufacturing, mariculture and marine-related businesses.

## ***Reasons for Investing in the Commonwealth***

- Convenient air routes and schedules connect the Commonwealth with Bali, Manila, Taipei, Hong Kong, Guam, Hawaii and the U.S. mainland, and Okinawa, Tokyo, Hiroshima and other major markets in Japan.
- The Commonwealth does not have a sufficient number of hotel rooms to meet the current demand. More hotel rooms are needed.
- Generous tax system with tax rebates.
- Low wage rates.
- Duty-free entry of "qualified" products into the U.S. market.
- U.S. legal system.
- U.S. currency area, no restrictions on repatriated profits, no currency restrictions.
- No real estate taxes.
- Commonwealth controls its own immigration and customs service.
- Modern, efficient medical, communication and banking facilities.

## ***Location***

The Marianas archipelago, situated in the western Pacific, is a society culturally oriented toward the western hemisphere but geographically located in the eastern hemisphere. The islands are 1,270 miles (2,000 km) southeast of Tokyo, 3,225 miles (5,160 km) east of Hawaii and 2,950 miles (4,720 km) northwest of Sydney. The islands are the farthest United States political entity from the American mainland and the closest United States soil to the continent of Asia, with a population of 1.4 billion people: (China - 1.2 billion; South Korea - 44 million; Taiwan - 20.9 million; Hong Kong - 5.9 million; Japan - 124.5 million and the Philippines - 67.1 million).

## ***Historical Background***

The Northern Mariana Islands formerly were a colony of Spain (1521 - 1898); purchased from Spain by Germany (1899 - 1914); colonized by Japan (1914 - 1944); conquered by the United States military forces during World War II; placed under the United Nations Security Council; and administered by the United States government as part of the Trust Territory of the Pacific Islands (1945 - 1978). The 14 islands became self-governing as the result of a negotiated covenant with the United States in January 1978, and American citizenship was conferred on the residents of the islands on Nov. 4, 1986.

## ***The Commonwealth's Investment Policy***

Economic policies in the Commonwealth of the Northern Marianas encourage a free competitive marketplace in which the private sector operates with minimum restraints. Most of the regulations directed toward business operation are designed for the welfare of businesses, the environment and the public at large. A non-United States citizen licensed to do business in the Commonwealth must also possess an immigration permit.

## ***Foreign Capital***

The Northern Marianas admits foreign capital and treats such investment the same as local capital. However, compliance with all U.S. national and local laws is required. Anti-trust laws and the regulations of the Securities and Exchange Commission apply to all investment, both foreign and domestic. Foreign investors may repatriate or transfer their capital freely and without restrictions. The Securities and Exchange Commission protects all investors by requiring publicly held companies to publish factual information about their security offerings. When planning to "go public" with a stock offering, all SEC required financial information must be included along with a registration statement filed with the commission, and companies must follow United States accounting standards.

## ***Business Tips***

The Northern Marianas follows American business practices. However, because of the significant involvement of Asian businesses in the economy, Asian business practices also are being followed.

# *Northern Mariana Islands*

## ***Banking***

The U.S. dollar is the official currency of the Commonwealth. The Japanese yen is accepted in many businesses. There are five commercial banks in the Commonwealth, three of which are members of the Federal Deposit Insurance Corporation (FDIC): Bank of Hawaii (FDIC), Bank of Guam (FDIC), Union Bank (FDIC), affiliated with the Bank of Tokyo, City Trust, and the Bank of Saipan. The Hong Kong Shanghai Banking Corporation has a license to open a branch bank. Two savings and loan institutions operate in the CNMI: First Savings and Loan Association of America and Guam Savings and Loan Association.

## ***Investment and Business Incentives***

- A United States Commonwealth under the American judicial system where most United States laws apply
- Languages: English, Chamorro, Carolinian, Japanese, Korean, Chinese, and other Asian languages
- Currency: U.S. dollar, no restrictions - American banking laws apply; profits may be freely repatriated
- The Northern Marianas Territorial Income Tax (NMTIT) is a mirror image of the U.S. IRC and is levied on net income. In addition, a tax of up to 5 percent is also levied as a Business Gross Revenue Tax (BGRT). Any NMTIT levied and paid on an item of income may be credited against any BGRT to be paid on the same income. Further, a rebate is available on the NMTIT tax paid only on CNMI sourced income starting at 90 percent with a declining rebate formula to 50 percent of the tax paid. While the above may appear complicated, the CNMI has a tax structure very friendly to business.
- Ports are free of United States customs duties; a moderate excise tax is levied on goods imported for resale
- United States minimum-wage laws do not apply; present minimum wage is \$2.75/hour. The minimum wage will be increased in the future.
- U.S. immigration laws do not apply. Many businesses are both American and foreign owned and managed. Several business types of local CNMI entry permits are available for non-United States citizens
- The Commonwealth qualifies for duty-free entry into the U.S. for certain manufactured products
- Reliable worldwide communication facilities. No labor unrest, the area is politically stable. Year-round tropical climate with all the amenities of a tourist resort area: golf, tennis, and wide range of water recreation activities
- Reliable, scheduled ocean shipping carriers serve the island from the U.S. West Coast, Hawaii and Guam, as well as major Asian cities. Air service provided by: Continental Airlines, United, Japan Airways, Northwest and Asiana Airways.

## ***Reasons Why Tourists Visit the Northern Mariana Islands***

- Proximity to Asian cities: short travel time of 3 to 3-1/2 hours
- Tropical climate year-round
- Luxurious, full-service resort hotels
- Clean tropical environment: no pollution, traffic congestion or crowded conditions
- Water sports, golf, tennis, Pacific island culture
- United States affiliated area
- Served by international air carriers
- Short travel time between Japan and the islands' tropical resort areas
- Sparsely populated area
- Reasonable prices for food, lodging, recreation
- Different cultural environment (Pacific island)
- Quiet, relaxed area
- No tropical diseases, modern medical facilities
- Diverse recreational activities
- Reasonably priced air transport costs: Japan - Saipan - Japan

### ***For More Information on the Tourist Industry, Contact:***

Managing Director, Marianas Visitor Bureau • P.O. Box 861 Saipan, MP 96950  
Telephone: (670) 234-8325 • Fax: (670) 234-3596

### ***For Information on Investment in Casinos, Contact:***

The Tinian Casino Gaming Control Commission • Tinian, MP 96952 U.S.A.  
Telephone: (670) 433-9250 • Fax: (670) 433-9267

### ***For General Business and Investment Information, Contact:***

Secretary of Commerce, Department of Commerce • Caller Box 10007 Saipan, MP 96950  
Telephone: (670) 664-3000/1/2 • Fax: (670) 664-3067



FOR MORE INFORMATION, WRITE FOR  
 "TOURISM INVESTMENT OPPORTUNITIES  
 IN THE UNITED STATES COMMONWEALTH  
 OF THE NORTHERN MARIANA ISLANDS"

TOURISM INVESTMENT OPPORTUNITIES  
 IN THE  
 UNITED STATES COMMONWEALTH OF THE  
 NORTHERN MARIANA ISLANDS  
 Western Pacific Ocean



SCHEDULED AIR ROUTES  
 FROM MAJOR CITIES TO SAIPAN

Connecting To  
 Tinian & Rota

Commonwealth Of The Northern Mariana Islands

Map reprinted courtesy of  
 Economic Service Council

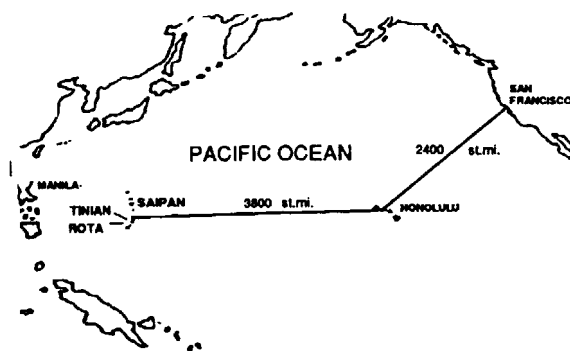
Commonwealth abound.

Many factors have contributed to the CNMI's dynamic financial and commercial development. Foremost are a unique set of incentives provided by its geographical location and its affiliation with the United States. These advantages are complemented by progressive local government policies that encourage a free competitive market. Private sector entrepreneurial participation is actively sought by providing a business environment that is relatively free of constraints. Cost benefits, strategic location, political stability all combine to make investing in the Commonwealth viable and attractive.

## Location

**T**he Commonwealth of the Northern Mariana Islands is situated in the Western Pacific Ocean. The chain of 14 islands extends in a north-south direction for 388 nautical miles (685 km) with a total land area of 176.5 square miles. The three major inhabited islands are Rota, Tinian, and Saipan. Saipan is the most developed of the islands and serves as the business, government, and urban center of the Commonwealth.

The CNMI is ideally located for firms who have targeted the Asia-Pacific rim region as their desired market. The Commonwealth's proximity



Distances To Saipan

Origin	Nautical Miles	Air Time (hours)
Agana, Guam, USA	120	0.5
Tokyo, Japan	1,272	3.0
Manila, Philippines	1,438	3.5
Taipei, Taiwan	1,484	3.5
Hong Kong	1,842	4.0
Sidney, Australia	2,951	6.0
Honolulu, HI, USA	3,226	8.0
San Francisc, USA	5,316	13.0
Los Angeles, USA	5,530	13.5

to Asia places it within convenient reach of the 1.5 Billion people of the Asian Pacific rim with a combined gross domestic product of \$2.8 trillion. This region consists of nations and other political entities that comprise what is undoubtedly the most rapidly growing consumer markets in the world.

The strategic importance of the CNMI as a "gateway" between east and west is well documented historically. During WWII, this group of islands in the Western Pacific was a critical staging arena for military forces. This strategic importance has not diminished but the forces involved

are no longer martial but instead commercial.

Businesses seeking to serve the Asian market and firms from the Pacific Rim countries wishing entry to the U.S. market will both benefit by locating in the Commonwealth. The ever-growing presence of international corporations from a variety of industry sectors are ready testimony to the increasing world-wide recognition of the potential offered in the CNMI.

## Commonwealth Status

**I**n 1978, a Covenant was approved that redefined the political relationship between the Northern Mariana Islands and the United States. Under the terms of the agreement, the people of the islands were granted United States citizenship with all the rights and protections afforded by the United States government and the U.S. Constitution. However, the Commonwealth government retained control over certain internal affairs such as immigration, customs, and taxation policies. Thus, the former Trust Territory became the Commonwealth of the Northern Mariana Islands.

The combination of political stability, autonomous self-government powers, and access to U.S. government resources, has created a favorable and cost beneficial business environment.

farallon de pajaras  
(URACAS)

MAUG

ASUNCION

AGRIHAN

PAGAN

ALAMAGAN

GUGUAN

SARIGAN

ANATAHAN

FARALLON DE MEDINILLA

SAIPAN

TINIAN

AGUIJAN

ROTA

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Commonwealth of the Northern Mariana Islands  
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Saipan, MP 96950



## *The Northern Marianas*

The Commonwealth of the Northern Mariana Islands (CNMI) experienced phenomenal economic growth during the latter half of the eighties. From 1987 to 1990 the total annual gross business revenues increased by 185.24% to exceed \$1 billion. A period of stabilization has ensued since 1990 which reflects more sustainable long-term growth prospects. Saipan, the largest island of the group, has been the primary beneficiary and focus of the economic activity.

Tourism and its ancillary support services have emerged as the primary economic force. Light manufacturing, which capitalizes on tax and duty free incentives, has also developed into a significant industry base. Other opportunities for participating in the economic growth of the

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